



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
PENDLETON COUNTY SHERIFF**

**Calendar Year 2000**

**EDWARD B. HATCHETT, JR.  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE PENDLETON COUNTY SHERIFF**

**Calendar Year 2000**

The Auditor of Public Accounts has completed the Pendleton County Sheriff's audit for calendar year 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

#### **Financial Condition:**

Revenues increased by \$50,149 from the prior year and disbursements increased by \$55,233. Excess fees decreased by \$5,084.

#### **Report Comments:**

- Sheriff Should Deposit Receipts Daily
- The Sheriff's Office Lacks An Adequate Segregation Of Duties

#### **Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.



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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Henry W. Bertram, Pendleton County Judge/Executive

Honorable Lark O'Hara, Pendleton County Sheriff

Members of the Pendleton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Pendleton County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Henry W. Bertram, Pendleton County Judge/Executive  
Honorable Lark O'Hara, Pendleton County Sheriff  
Members of the Pendleton County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated May 8, 2001, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following findings:

- Sheriff Should Deposit Receipts Daily
- The Sheriff's Office Lacks An Adequate Segregation Of Duties

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
May 8, 2001



PENDLETON COUNTY  
LARK O'HARA, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

Receipts

Federal Grants		\$	27,600
State Fees For Services:			
Finance and Administration Cabinet	\$	6,144	
KLEFPF		<u>13,416</u>	19,560
Circuit Court Clerk:			
Sheriff Security Service			5,986
Fiscal Court:			
Transporting Prisoners	\$	10,807	
Vehicle Lease and Auto Expense		31,340	
Election Commissioners		<u>300</u>	42,447
County Clerk - Delinquent Taxes			4,261
Commission On Taxes Collected			116,085
Fees Collected For Services:			
Auto Inspections	\$	2,765	
Accident and Police Reports		266	
Serving Papers		13,467	
Carrying Concealed Deadly Weapon Permits		10,875	
10% Add on Fee		18,879	
Transport Prisoners		357	
Miscellaneous		<u>3,074</u>	49,683
Interest Earned			6,572
Borrowed Money:			
State Advancement	\$	57,283	
Bank Loan		<u>12,900</u>	<u>70,183</u>
Gross Receipts		\$	342,377

PENDLETON COUNTY  
 LARK O'HARA, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 Calendar Year 2000  
 (Continued)

Disbursements

Operating Disbursements:

Personnel Services-

Deputies' Salaries	\$ 49,005
Part-Time Salaries	22,800
Other Salaries	44,503

Employee Benefits-

Employer's Share Social Security	2,366
Employer's Share Retirement	2,523
Employer's Share Hazardous Duty Retirement	522

Materials and Supplies-

Office Materials and Supplies	2,345
Uniforms	3,402

Auto Expense-

Gasoline	12,657
Maintenance and Repairs	8,561
Car Phone	1,047

Other Charges-

Office Phones	1,785
Mobile Radio	2,093
Postage	782
Dues	336
Carrying Concealed Deadly Weapon Permits	7,460
Serving Papers	40
Ammunition	553
Tax Bills	343
Training	100
Copier Maintenance	342
Miscellaneous	2,276

PENDLETON COUNTY  
 LARK O'HARA, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 Calendar Year 2000  
 (Continued)

Disbursements (Continued)

Debt Service:

State Advancement	\$ 57,283
Bank Loan	12,900
Vehicle Lease	<u>29,611</u>

Total Disbursements	<u>\$ 265,635</u>
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Net Receipts	\$ 76,742
Less: Statutory Maximum	<u>59,306</u>

Excess Fees	\$ 17,436
Payments to County Treasurer - December 31, 2000	<u>17,436</u>

Balance Due at Completion of Audit	<u><u>\$ 0</u></u>
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The accompanying notes are an integral part of the financial statement.

PENDLETON COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

PENDLETON COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2000  
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Lease

On September 1, 2000, the Pendleton County Sheriff entered into a 36 month lease-purchase agreement, with the Ford Motor Company, for two 2000 Ford Crown Victoria Police Sedans. The agreement calls for three annual payments of \$14,923 due each September 1, with the first payment paid on September 1, 2000. The balance as of December 31, 2000, is \$26,685.

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## COMMENTS AND RECOMMENDATIONS





PENDLETON COUNTY  
LARK O'HARA, COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS

Calendar Year 2000

STATE LAWS AND REGULATIONS:

Sheriff Should Deposit Receipts Daily

During our audit we discovered that the Sheriff was not making daily deposits. Regulations promulgated pursuant to KRS 68.210 requires daily deposits be made intact into a federally insured banking institution. We recommend the Sheriff comply with these regulations by making daily deposits.

*Sheriff's Response:*

*None.*

INTERNAL CONTROL - REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES:

The Sheriff's Office Lacks An Adequate Segregation Of Duties

We noted the lack of an adequate segregation of duties for the internal control structure and its operation that in our judgement is a reportable condition under standards established by the American Institute of Certified Public Accountants. Due to the entity's diversity of official operations, small size, and budget restrictions the official has limited options for establishing an adequate segregation of duties. Management has considered and rejected additional cost when setting budget limits on spending for salaries and therefore accepts the degree of risk for a lack of an adequate segregation of duties. However, the Auditor of Public Accounts has judged the lack of an adequate segregation of duties as a reportable condition.

*Sheriff's Response:*

*None.*

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





EDWARD B. HATCHETT, JR.  
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Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Pendleton County Sheriff for the year ended December 31, 2000, and have issued our report thereon dated May 8, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Pendleton County Sheriff's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying comments and recommendations.

- Sheriff Should Deposit Receipts Daily

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pendleton County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying Comments and Recommendations.

- The Sheriff's Office Lacks An Adequate Segregation Of Duties

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
May 8, 2001

